

**DEPARTMENT OF INFORMATION TECHNOLOGY  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2002**



## **AUDIT SUMMARY**

Our audit of the Department of Information Technology for the year ended June 30, 2002, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in the Department's accounting records;
- no material weaknesses in internal control; and,
- no instances of noncompliance that are required to be reported

December 3, 2002

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Information Technology** for the year ended June 30, 2002. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting system, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

- Expenditures
- Revenues
- Accounts Payable
- Accounts Receivable

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting system. The financial information presented in this report came directly from the Department's accounting system.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

### EXIT CONFERENCE

We discussed this report with management at an exit conference held on December 19, 2002.

AUDITOR OF PUBLIC ACCOUNTS

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## Agency Information

### Organization

The Department of Information Technology (DIT) provides a variety of information technology services to other agencies and institutions within the Commonwealth through its Integrated Telecommunication Division, Computer Operations Division, and Enterprise Solutions Division. The services offered by each division are as follows:

- The Integrated Telecommunication Division manages and coordinates the Commonwealth's local and long distance voice services, data communications, wireless services, broadband, and network equipment.
- The Computer Operations Division operates the state computer center, which includes all the services of a major data center supporting an IBM and Unisys mainframe environment. In addition, the division provides facility and data management support for customer agency Unix and NT servers.
- The Enterprise Solution Division provides services for custom software and database development, and assistance in developing information technology and telecommunication related procurement requests.

On May 8, 2002, Governor Warner announced the appointment of Cheryl Clark to serve as Director of Information Technology.

### Financial Highlights

The following section provides a broad overview of DIT's financial highlights during the audit period broken down by types of services offered.

During fiscal year 2002 there was an increase in operating revenues and decrease in operating expenses. The increase in operating revenues is attributable to new and upgraded installations of COVANET data services offered by the Integrated Telecommunications Services Division. Wireless service and local service have also increased 15 percent or \$675,000 and 5 percent or \$1 million, respectively. In addition, operating revenues increased due to the expanded product service lines (e.g., IBM, Unisys, and Unix) offered by the Computer Operations Division. Specifically, the Virginia Department of Transportation moved its internal Equipment Management System stored on an IBM mainframe to DIT, the Department of Tax implemented the Unix based Integrated Revenue Management System, and an 8 percent increase in Unisys revenue is a result of constant growth of the Department of Social Services, which is DIT's largest Unisys customer.

The decrease in operating expenditures is primarily due to the large number of hardware assets, maintained by the Computer Operations Division, that were fully depreciated during fiscal year 2001 that remained in service in fiscal year 2002 and from less equipment purchases by the Integrated Telecommunication Services Division.

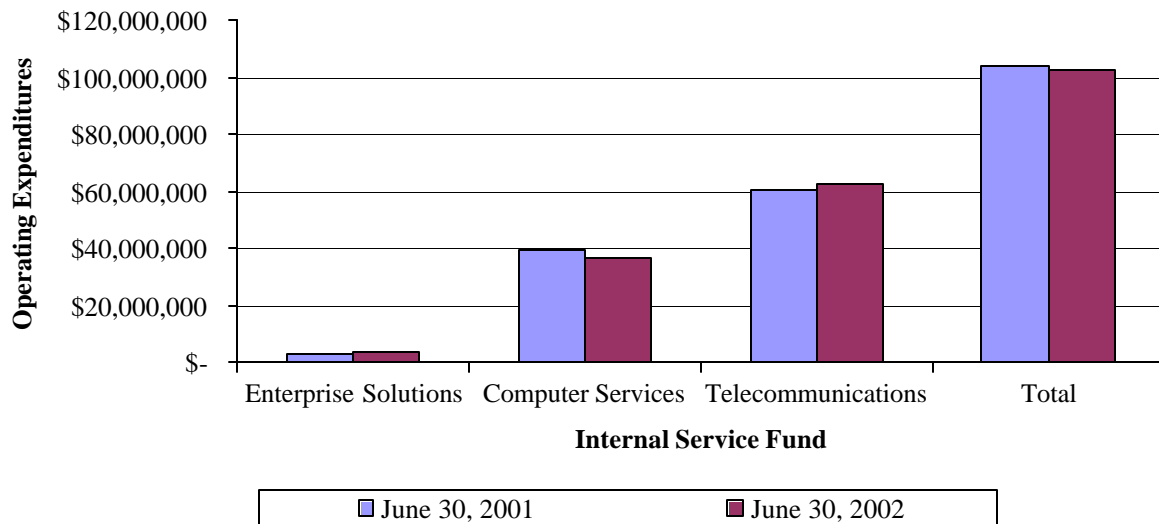
Operating revenues and expenses remained relatively constant for the Enterprise Solutions Division between fiscal year's 2001 and 2002.

Comparison of fiscal year 2001 and 2002 operating revenues and expenses by internal service fund are included below:

### Comparison of Operating Revenues

	<u>June 30, 2001</u>	<u>June 30, 2002</u>
Enterprise solutions	\$ 3,493,816	\$ 3,904,000
Computer services	36,440,061	40,924,428
Telecommunications	<u>61,076,541</u>	<u>66,910,588</u>
Total	<u>\$101,010,418</u>	<u>\$111,739,016</u>

### Comparison of Operating Expenditures



DEPARTMENT OF INFORMATION TECHNOLOGY  
Richmond, Virginia

Cheryl Clark  
Director

